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SUBJECT: US-MOROCCO FTA STUDY REVEALS "TO WIN THE LOTTO,
ONE MUST BUY A TICKET"

REF: A. RABAT 00271

[1B.](#) RABAT 0190

[¶1.](#) (SBU) Summary: A study of Morocco's Free Trade Agreements (FTAs) commissioned by private enterprise and released in late March, concluded that Moroccan firms are not seizing opportunities that exist in the U.S. market. The report formed the backdrop for Assistant United States Trade Representative Christopher Wilson's March 19-20 visit to Morocco to lay the groundwork for the second annual Joint Committee Meeting in May, and generated a lively public debate of the impact of the U.S.-Morocco FTA. While arguing that most benefits of the FTA have gone to U.S. exporters, the report largely attributed this lopsided outcome to the failure of Moroccan businesses to take advantages of the available opportunities, as well as the failure of the Moroccan Government to ensure that the agreements were accompanied by a coherent export strategy. End Summary.

FTA REPORT UNVEILED

[¶2.](#) (SBU) The USTR visit coincided with the release of the General Confederation of Enterprises (CGEM)-commissioned report on "Free Trade Agreements: Opportunities Offered to Morocco." The study authors, from the French consulting firm Roland Berger, presented the results on March 24 to a meeting that grouped CGEM, the National Council of Foreign Trade, including Ministry of Foreign Trade Secretary General El Aid Mahsoussi, and Embassy officers (A/DCM and Econoff). The report concluded that the FTA has strongly benefited U.S. exports, which have tripled since the FTA went into force in 2006, while Moroccan exports to the U.S. have grown at an annual rate of 22 percent through 2007. The authors concluded that the lopsided outcomes are due to Moroccan exporters failing to seize opportunities in the U.S. market for largely internal reasons.

RESULTS AND CONTROVERSY

[¶3.](#) (SBU) The top reasons, according to the report, as to why Moroccan exporters are not taking advantage of the FTA include lack of knowledge of the market and its norms; limited capacity by Moroccan exporting companies to meet the demands of U.S. importers; lack of an effective export promotion strategy; and weak internal logistics. The study did identify a number of Moroccan products that are export competitive for the U.S. market, however, including clothing, essential oils and perfumes, shoes, animal and vegetable

lubricants and oils, and canned foods. While participants welcomed the positive message, they urged that it be refined to be of practical utility. The report's general export promotion advice for broad sectors, they argued, is not useful to help market individual products in an unknown market. They also urged greater attention to the fact that the value added in Moroccan exports constitutes only 30 percent of the headline figures, given that much of the total is made up of re-export of goods that were temporarily admitted to Morocco for processing. This reality, some present argued, reflects Morocco's greatest "handicap:" the sub-contracting model it has adopted to meet the demands of European partners is not in high demand with potential U.S. importers.

FURTUNATE COINCIDENCE

¶4. (SBU) The results of the CGEM study generated massive press coverage during the week of Wilson's visit and focused attention on the need for Moroccan businesses to more aggressively exploit the opportunities offered by the agreement. French language daily Le Soir recently summarized this message noting that "To win the lotto, one must buy a ticket." Wilson used the press interest generated by the study to highlight the positive achievements of the FTA to date, including an increase in bilateral trade from USD 1 billion in 2006 to around USD 2.5 billion in 2008. He also acknowledged throughout the visit the work the GOM and business community is doing, by commissioning such studies and formulating recommendations and support for industry, to take full advantage of the opportunities the FTA has to offer.

¶5. (SBU) Comment: The conclusions and recommendations offered by the study were not groundbreaking. The GOM has been well aware of Moroccan exporters' concerns with the U.S. market and has already started taking action to hone its export promotion strategy (Ref B). Despite a sometimes defensive response to the report during the March 24th presentation, all agreed with its underlying conclusions, while suggesting that a more detailed sectoral examination would be even more useful. Widespread recognition that Moroccan businesses must step up their efforts to take advantage of the FTA marks a welcome step forward in public discussion of the agreement and its benefits. End Comment.

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